

**CITY OF FREMONT HILLS,  
MISSOURI**

BASIC FINANCIAL STATEMENTS  
WITH SUPPLEMENTARY DATA  
AND  
INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED  
DECEMBER 31, 2022

## CONTENTS

	<u>PAGE NO.</u>
Independent Auditor's Report	1-2
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	3
Statement of Activities	4
Fund Financial Statements:	
Balance Sheet – Governmental Fund	5
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Fund	6
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Fund to the Statement of Activities	7
Statement of Net Position – Proprietary Fund	8
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Fund	9
Statement of Cash Flows – Proprietary Fund	10
Notes to Basic Financial Statements	11-25
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Major Governmental Fund	26

**INDEPENDENT AUDITOR'S REPORT**

To the Mayor and City Council  
City of Fremont Hills, Missouri

**Report on the Audit of the Financial Statements*****Opinions***

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of the City of Fremont Hills, Missouri, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City of Fremont Hills, Missouri's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund, of the City of Fremont Hills, Missouri, as of December 31, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Fremont Hills, Missouri, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Fremont Hills, Missouri's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted accounting principles will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery,

## **INDEPENDENT AUDITOR'S REPORT**

To the Mayor and City Council  
City of Fremont Hills, Missouri

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of the City of Fremont Hills, Missouri, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City of Fremont Hills, Missouri's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund, of the City of Fremont Hills, Missouri, as of December 31, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Fremont Hills, Missouri, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Fremont Hills, Missouri's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

#### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted accounting principles will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery,



intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

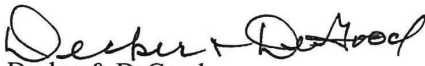
In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Fremont Hills, Missouri's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Fremont Hills, Missouri's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal-control related matters that we identified during the audit.

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the *budgetary comparison information* be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

  
Decker & DeGood  
Springfield, Missouri  
April 28, 2023

# CITY OF FREMONT HILLS, MISSOURI

## STATEMENT OF NET POSITION

DECEMBER 31, 2022

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 944,952	\$ 414,907	\$ 1,359,859
Restricted assets-Cash and cash equivalents			
Debt reserves	-	96,117	96,117
Debt depreciation and replacement	-	352,892	352,892
Accounts receivable-			
Taxes	161,041	-	161,041
Utilities	-	57,403	57,403
Grant-CWERG	-	410	410
Prepaid items	3,059	11,464	14,523
Capital assets:			
Land	17,650	-	17,650
Other capital assets, net of accumulated depreciation	1,265,737	2,181,709	3,447,446
 Total Assets	 2,392,439	 3,114,902	 5,507,341
<b>LIABILITIES</b>			
Accounts payable	4,647	1,173	5,820
Accrued interest	-	5,517	5,517
Unearned revenue - ARPA	-	187,839	187,839
Builders deposits	9,000	-	9,000
Amounts due within one year			
Revenue Bonds	-	80,000	80,000
Amounts due in more than one year:			
Revenue Bonds	-	510,000	510,000
Total Liabilities	13,647	784,529	798,176
<b>NET POSITION</b>			
Net investment in capital assets	1,283,387	1,591,709	2,875,096
Restricted for:			
Debt service	-	318,224	318,224
Unrestricted	1,095,405	420,440	1,515,845
 Total Net Position	 \$ 2,378,792	 \$ 2,330,373	 \$ 4,709,165

The accompanying notes are an integral part of these financial statements.

**CITY OF FREMONT HILLS, MISSOURI**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 103,688	\$ -	\$ -	\$ -	\$ (103,688)	\$ -	\$ (103,688)
Law enforcement	93,290	-	-	-	(93,290)	-	(93,290)
Streets	76,672	-	-	-	(76,672)	-	(76,672)
Total governmental activities	273,650	-	-	-	(273,650)	-	(273,650)
Business-type activities:							
Sewer	271,990	300,072	-	-	-	28,082	28,082
Total business-type activities	271,990	300,072	-	-	-	28,082	28,082
Total Government	\$ 545,640	\$ 300,072	\$ -	\$ -	(273,650)	28,082	(245,568)
General Revenues							
Taxes:							
Property taxes for general purposes					205,070	-	205,070
Sales taxes					53,502	-	53,502
Local use tax					17,653	-	17,653
Intergovernmental:							
Missouri motor fuel taxes					40,503	-	40,503
Interest on investments					8,710	9,038	17,748
Total general revenues					325,438	9,038	334,476
Change in net position					51,788	37,120	88,908
Net position beginning					2,327,004	2,293,253	4,620,257
Net position ending					\$ 2,378,792	\$ 2,330,373	\$ 4,709,165

The accompanying notes are an integral part of these financial statements.

# CITY OF FREMONT HILLS, MISSOURI

## BALANCE SHEET GOVERNMENTAL FUND DECEMBER 31, 2022

<u>ASSETS</u>	General
Cash and cash equivalents	Fund
Accounts receivable-	<u>\$ 944,952</u>
Property taxes	
Sales tax	147,154
Motor fuel taxes	9,439
Prepaid items	4,448
	<u>3,059</u>
TOTAL ASSETS	<u>\$ 1,109,052</u>
<u>LIABILITIES AND FUND BALANCES</u>	
LIABILITIES	
Accounts payable	\$ 4,647
Builders deposits	9,000
	<u>13,647</u>
Total Liabilities	
FUND BALANCES	
Fund Balances -	
Nonspendable	3,059
Unassigned	1,092,346
	<u>1,095,405</u>
Total Fund Balances	
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,109,052</u>
Total Fund Balances-Total Government Funds	\$ 1,095,405
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	<u>1,283,387</u>
Net assets of governmental activities	<u>\$ 2,378,792</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF FREMONT HILLS, MISSOURI**  
**STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**GOVERNMENTAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

REVENUES	General Fund
Taxes:	
Property taxes	\$ 205,070
Sales taxes	53,502
Local use tax	17,653
Intergovernmental:	
Missouri motor fuel taxes	40,503
Interest	8,710
Total Revenues	<u>325,438</u>
EXPENDITURES	
Current:	
General government	100,864
Law enforcement	19,598
Streets	76,672
Capital Outlay	97,083
Total Expenditures	<u>294,217</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	31,221
FUND BALANCES - BEGINNING	<u>1,064,184</u>
FUND BALANCES - ENDING	<u><u>\$ 1,095,405</u></u>

The accompanying notes are an integral part of these financial statements.

**CITY OF FREMONT HILLS, MISSOURI**  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
OF GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2022

Net change in fund balances--total governmental funds	\$ 31,221
Amounts reported for <i>governmental activities</i> in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Capital outlay	97,083
Depreciation expense	<u>(76,516)</u>
Change in net position of governmental activities	<u>\$ 51,788</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF FREMONT HILLS, MISSOURI**

**STATEMENT OF NET POSITION  
PROPRIETARY FUND (SEWER FUND)**

**DECEMBER 31, 2022**

**ASSETS**

**Current Assets:**

Cash and cash equivalents	\$ 414,907
Accounts receivable:	
Utilities	57,403
Grant-CWERG	410
Prepaid items	11,464
Total Current Assets	<u>484,184</u>

**Noncurrent Assets:**

Restricted assets-cash and cash equivalents	449,009
Capital assets:	
Plant and equipment	
(Net of accumulated depreciation)	2,181,709
Total Noncurrent Assets	<u>2,630,718</u>

<b>TOTAL ASSETS</b>	<b>\$ 3,114,902</b>
---------------------	---------------------

**LIABILITIES AND NET POSITION**

**LIABILITIES**

Accounts payable	\$ 1,173
Accrued interest	5,517
Unearned revenue - ARPA	187,839
Current portion of long term debt	80,000
Long-term debt:	
Revenue bond payable	510,000
Total Liabilities	<u>784,529</u>

**NET POSITION**

Net investment in capital assets	1,591,709
Restricted for revenue bond retirement	318,224
Unrestricted	420,440
Total Net Position	<u>2,330,373</u>

<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 3,114,902</b>
---	---------------------

The accompanying notes are an integral part of these financial statements.

# CITY OF FREMONT HILLS, MISSOURI

## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - PROPRIETARY FUND (SEWER FUND) FOR THE YEAR ENDED DECEMBER 31, 2022

### OPERATING REVENUES:

Charges for services	\$ 294,672
Total Operating Revenues	<u>294,672</u>

### OPERATING EXPENSES:

Billing and collection charges - sewer billing	19,181
Chemicals	10,147
Contract labor	42,070
Contract hauling	27,689
Depreciation	69,213
Dues and subscriptions	526
Insurance	11,006
Miscellaneous	2,659
Office expense and postage	500
Professional fees	2,475
Rent	2,700
Repairs & maintenance	21,073
Salaries and payroll taxes	25,871
Supplies	4,503
Telephone	1,077
Testing	4,115
Utilities	10,985
Total Operating Expenses	<u>255,790</u>

OPERATING INCOME	<u>38,882</u>
------------------	---------------

### NON-OPERATING REVENUES (EXPENSES):

Interest income	9,038
Permits	5,400
Interest and agents fees	(16,200)
Total Non-operating Revenues (Expenses)	<u>(1,762)</u>

CHANGE IN NET POSITION	37,120
------------------------	--------

NET POSITION - BEGINNING	<u>2,293,253</u>
--------------------------	------------------

NET POSITION - ENDING	<u><u>\$ 2,330,373</u></u>
-----------------------	----------------------------

The accompanying notes are an integral part of these financial statements.



# CITY OF FREMONT HILLS, MISSOURI

## STATEMENT OF CASH FLOWS PROPRIETARY FUND (SEWER FUND) FOR THE YEAR ENDED DECEMBER 31, 2022

CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from customers	\$ 294,672
Payments to suppliers	(114,742)
Payments to employees	<u>(25,871)</u>
Net Cash Provided by Operating Activities	<u>154,059</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Sewer permits	<u>5,400</u>
Net Cash Provided by Noncapital Financing Activities	<u>5,400</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Purchase of capital assets	(8,253)
Principal repayments	(78,000)
Interest paid	<u>(14,438)</u>
Net Cash (Used for) Capital and Related Financing Activities	<u>(100,691)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest earned	<u>9,038</u>
Net Cash Provided by Investing Activities	<u>9,038</u>
NET CASH INCREASE FOR THE YEAR	67,806
CASH AT BEGINNING OF YEAR	<u>796,110</u>
CASH AT END OF YEAR	<u><u>\$ 863,916</u></u>
SUMMARY OF CASH AND CASH EQUIVALENTS	
Cash and cash equivalents	\$ 414,907
Restricted- Cash and cash equivalents	<u>449,009</u>
Total Cash and cash equivalents	<u><u>\$ 863,916</u></u>
Reconciliation of operating (loss) to net cash provided by operating activities:	
Operating (loss)	\$ 37,120
Adjustments to reconcile net operating income to net cash provided by operating activities:	
Depreciation expense	69,213
(Increase) Decrease in accounts receivable	(31,291)
(Increase) Decrease in prepaid items	(1,215)
Increase (Decrease) in accounts payable	(13,855)
Increase (Decrease) in accrued interest	(729)
Increase (Decrease) in Unearned revenue	<u>94,816</u>
Net Cash Provided by Operating Activities	<u><u>\$ 154,059</u></u>

The accompanying notes are an integral part of these financial statements.

# **CITY OF FREMONT HILLS, MISSOURI**

## **NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2022**

### **NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the City of Fremont Hills (the City) were prepared in accordance with accounting principles generally accepted in the United States of America for governmental entities (U.S. GAAP). The following summary of the more significant policies of the City is presented to assist the reader in interpreting these financial statements and should be viewed as an integral part of this report.

#### **THE REPORTING ENTITY**

Entity status for financial reporting purposes is governed by Governmental Accounting Standards Board (GASB). The GASB is the standard-setting body for the establishment of GAAP in governmental entities. The financial statements of the City present the financial activities of the City and any component units. The City is the primary government unit. Component units are those entities which are financially accountable to the primary government, either because the City appoints a voting majority of the component unit's Board or because the component unit will provide a financial benefit or impose a financial burden on the City. The City does not have any component units.

#### **GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all activities of the City. For the most part, the effect of interfund activity has been removed from these statements. Government-wide financial statements do not provide information by fund but distinguish between the City's governmental activities and business-type activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund financial statements. Separate financial statements are provided for governmental funds and proprietary funds. Separate columns are presented for each major governmental fund and for each major enterprise fund. Non-major funds are aggregated and presented in a single column labeled "Nonmajor Governmental Funds."

# CITY OF FREMONT HILLS, MISSOURI

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Governmental Fund Types:** Governmental funds are those through which most governmental functions of the City are financed. The acquisition, use and balances of the City's expendable financial resources and the related liabilities (other than those in proprietary funds) are accounted for through governmental funds. The following are the City's major governmental funds:

#### General Fund

The General Fund is the government's primary operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

**Proprietary Fund Types:** Proprietary funds are used to account for the City's ongoing activities that are similar to those often found in the private sector. The following are the City's major proprietary funds:

#### Sewer Fund

This fund is used to account for the operations of the City's sewer department.

### MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recognized at the time liabilities are incurred, regardless of when the related cash transaction takes place. Nonexchange transactions, in which the City gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 30 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims, and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

**CITY OF FREMONT HILLS, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's sewer function and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided; 2) operating grants and contributions; and 3) capital grants and contributions, including special assessments. General revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation, the principal operating revenues of the enterprise fund are charges for services. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**ASSETS, LIABILITIES AND NET POSITION/FUND BALANCE**

**Cash and Cash Equivalents**

The City pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

**Statement of Cash Flows**

For the purpose of the statement of cash flows, the City considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

**Investments**

Missouri State statutes authorize the City to invest in obligations of the U.S. Treasury, federal agencies, commercial paper, corporate bonds, and repurchase agreements. Investments are stated at fair value.

**Due to and due from other funds**

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

# CITY OF FREMONT HILLS, MISSOURI

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Inventories

The purchase method is used to account for inventories. Under the purchase method, inventories are recorded as expenditures when purchased.

#### Prepaid items

Payment made to vendors for services that will benefit periods beyond December 31, 2022, are recorded as prepaid items in both the government-wide and fund financial statements. The cost of governmental fund-type prepaid items is recorded as expenditures/expense when consumed rather than when purchased.

#### Accounts receivable

Accounts receivable utilities are stated at gross with no allowance for doubtful accounts. All other receivables were sales tax and motor fuel taxes which were received in the following 30 days. An estimated amount has been recorded for services rendered, but not yet billed, as of the close of the fiscal year.

#### Restricted assets

The Sewer Fund, because of certain bond covenants, is required to establish and maintain the prescribed amount of resources (consisting of cash and temporary investments) that can be used only to service outstanding debt. The bond account is used only for the payment of principal and interest on revenue bonds. The depreciation and replacement account is to be expended only for repairs or replacements to the sewer fund. The bond reserve account is to be used only to pay bonds at maturity or interest as it becomes due and to the extent other funds are not available for this purpose. The Sewer Fund for the current fiscal year had such reserves and was in compliance.

For the year ended December 31, 2022, restricted cash and restricted net position consisted of the following:

SEWER FUND	Restricted Cash	Debt Reserve Requirements
2008-Debt reserve	\$ 96,117	\$ 50,000
2008-Depreciation and replacement	352,892	268,224
	<u>\$ 449,009</u>	<u>\$ 318,224</u>

# **CITY OF FREMONT HILLS, MISSOURI**

## **NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2022**

### **NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **Capital Assets and Depreciation**

Capital assets, which include property, equipment, and infrastructure (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial cost of more than \$ 1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. The City elected on infrastructure not to go back 20 years and capitalized the cost of streets but to begin in 2004 and from that point forward capitalize the cost of street improvements and additions.

Depreciation has been provided over the estimated useful lives using the straight-line method of depreciation. The estimated useful lives for each major class of depreciable capital assets are as follows:

Site improvements	7-55 years
Buildings	7-40 years
Infrastructure	20-40 years
Furniture and equipment	5-20 years
Vehicles	5-10 years

#### **Pensions**

The City does not provide any pension benefits to its employees.

#### **Long-term Debt**

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt is reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, and losses on refunding are deferred and amortized over the life of the bonds using the effective interest method. Bond's payables are reported net of the applicable bond premium or discount. Bond issuance costs are expensed during the current period.

**CITY OF FREMONT HILLS, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Long-term Debt – continued**

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**Fund Balances-Governmental Funds**

As of December 31, 2022, fund balances of the governmental funds are classified as follows:

**Nonspendable** - This classification includes amounts that cannot be spent because they are in a nonspendable form or are required to be maintained intact.

**Restricted** - This classification includes amounts that can be spent only for specific purposes because of the City Charter, City Code, state or federal laws, or externally imposed conditions by grantors or creditors.

**Committed** - This classification includes amounts that can be used only for specific purposes determined by a formal action by City Council. Such formal action may be in the form of an ordinance and may only be modified or rescinded by a subsequent formal action. This includes the budget reserve account.

**Assigned** - This classification includes amounts that are designated by the Mayor for a specific purpose but are not spendable until a budget ordinance is passed by City Council.

**Unassigned** - This classification represents the residual positive net resources of the General Fund in excess of what can properly be classified in one of the other four categories and include all deficit amounts in all other governmental funds.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the City Council has provided otherwise in its commitment or assigned actions.

The City adopted a minimum fund balance policy of setting aside three months of operating expenditures/expense for the General and Sewer Funds.

**CITY OF FREMONT HILLS, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Net Position**

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets consists of the cost of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. This net investment in capital assets amount also is adjusted by any bond issuance deferral amounts. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. All other net position is reported as unrestricted.

The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**Revenues and expenditures/expenses**

Revenues for governmental activities and business-type activities are recorded when they are collected. Grants from other governments are recognized when qualifying expenditures are incurred. Expenditures for governmental activities and business-type activities are recorded when paid.

**Use of Estimates**

The preparation of basic financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and accompanying notes. Actual results could differ from those estimates.

**Vacation, sick leave, and other compensated absences**

The City has no policies for accrued benefits.

**Revenue Recognition - Property Taxes**

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1 and are due and payable at that time. All unpaid taxes levied October 1 become delinquent January 1 of the following year. Valuation for 2022 was \$ 34,489,683 with the levy set at a total of \$ .5887 for the General Fund.



**CITY OF FREMONT HILLS, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Revenue Recognition – Sales Tax Authorizations**

Sales tax authorizations consist of a one-cent general sales tax for any proper municipal expenditure which brought in \$ 53,502 and a local option use tax \$ 17,653.

**STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budgets and Budgetary Accounting**

The City is required by Missouri State Law RSMo 105.485 to prepare a budget each year based on estimates of revenues and expected expenditures which include at a minimum a budget message, budget summary, schedule with prior year comparison of estimated revenue and expenditures, schedule of bonded debt obligations and budget approval letter. The accompanying statement of revenues, expenditures and changes in fund balance - budget and actual includes the budgeted expenditures for the year, along with management's estimate of revenues for the year for both the original budget and the final budget which is reflective of any amendments throughout the fiscal year. The legal level of budgetary control is at the total fund level. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (modified accrual basis) for all governmental funds.

**Budgetary basis of accounting**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (modified accrual basis) for all governmental funds.

**Compliance**

The General Fund expenditures were within the authorized budget for 2022.

**Bond Reserve Compliance**

The City had set aside the required bond reserves and thus was in compliance.

**CITY OF FREMONT HILLS, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – continued**

**Debt restrictions**

*General obligation debt*

Article VI, Sections 26 (b) and (c), Constitution of Missouri, limits the outstanding amount of authorized general obligation debt of a City to 10 percent of the assessed valuation of taxable tangible property as shown by the last completed assessment for state or county purposes. Authorization for debt issuance requires four-sevenths at the general municipal election day, primary or general elections and two-thirds at all other elections, vote of the qualified electors thereof. The computed legal debt margin of the City on December 31, 2022, was \$ 3,448,968. The City did not have any general obligation bonds outstanding as of December 31, 2022.

Other long-term debt

Article VI, Section 26 (a), Constitution of Missouri, limits the outstanding indebtedness of a City without popular vote to an amount exceeding in any year the income and revenue provided for such year plus any unencumbered balances from previous years. For the year ended December 31, 2022, the City was in compliance with this requirement.

**DETAIL NOTES ON ALL FUNDS**

**NOTE B – DEPOSITS AND INVESTMENTS**

Deposits. Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be returned, or the City will not be able to recover collateral securities in the possession of an outside party. The City's bank deposits are required by state law to be secured by the deposit of certain securities specified at RSMo 30.270 with the City or trustee institution. The value of the securities must amount to the total of the City's cash not insured by the Federal Deposit Insurance Corporation.

As of December 31, 2022, the City's bank balances were entirely secured or collateralized with securities held by the City or by its agent in the City's name.

**CITY OF FREMONT HILLS, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

**NOTE B – DEPOSITS AND INVESTMENTS (Continued)**

Investment Policies

**Credit Risk** is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City does have a written investment policy covering credit risk.

**Interest Rate Risk** is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The City policy is to limit the length of investment to meet cash flow requirements for ongoing operations, thereby avoiding the need to sell investments before maturity.

**Concentration of Credit Risk** is the risk of loss attributed to the magnitude of the City's investment in a single issuer. The City's policy is to invest only in those instruments approved by the State of Missouri which have minimal risks.

**Custodial Credit Risk** is the risk that in the event of a broker/agent failure, securities that are uninsured and not registered in the name of the City and are held by either the counterparty to the transaction or the counterparty's trust department or agent but not in the government's name will not be returned to the City. The City does have a written investment policy on custodial credit risk. All of the City's investments are either insured or registered in the City's name and held by the City's agent.

**CITY OF FREMONT HILLS, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

**NOTE C – CAPITAL ASSETS AND DEPRECIATION**

Capital asset activity for the year ended December 31, 2022, was as follows:

**Governmental Activities:**

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 17,650	\$ -	\$ -	\$ 17,650
Construction in progress	52,000	-	52,000	-
Capital assets being depreciated:				
Improvements	\$ 59,804	\$ 100,910	\$ -	\$ 160,714
Infrastructure	1,659,574	48,173	-	1,707,747
Equipment	39,881	-	-	39,881
Total capital assets being depreciated	1,759,259	149,083	-	1,908,342
Less: Accumulated depreciation for:				
Improvements	23,764	4,060	-	27,824
Infrastructure	516,166	70,442	-	586,608
Equipment	26,159	2,014	-	28,173
Total accumulated depreciation	566,089	76,516	-	642,605
Total capital assets being depreciated, net	\$ 1,193,170	\$ 72,567	\$ -	\$ 1,265,737
Governmental activities capital assets, net	\$ 1,262,820	\$ 72,567	\$ 52,000	\$ 1,283,387

Depreciation expense was charged to functions of the government as follows:

**Governmental activities:**

General government	\$ 2,824
Streets	73,692
	<u>\$ 76,516</u>

**NOTE C – CAPITAL ASSETS AND DEPRECIATION (Continued)**

Business Type Activities:	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets being depreciated:				
Plant	\$ 3,355,760	\$ 8,253	\$ -	\$ 3,364,013
Less: Accumulated depreciation				
Plant	(1,113,091)	(69,213)	-	(1,182,304)
Total capital assets being depreciated, net	<u>\$ 2,242,669</u>	<u>\$ (60,960)</u>	<u>\$ -</u>	<u>\$ 2,181,709</u>

**NOTE D – LONG-TERM DEBT**

### Business-type activities

The following is a summary of debt transactions of the City for the year ended December 31, 2022, as it relates to the business type activities:

[illegible]

# CITY OF FREMONT HILLS, MISSOURI

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

### NOTE D – LONG-TERM DEBT (Continued)

The Proprietary Funds long-term debt as of December 31, 2022, follows:

#### Revenue Bonds

\$ 1,500,000, 2008 Series, Sewerage System Revenue Bond,  
(State of Missouri-Direct Loan Program) due in monthly installments  
at 1.87% interest with maturity July 1, 2029

\$ 590,000

The loan is secured by pledge of net sewer revenue.

The annual requirement to amortize bonded debt as of December 31, 2022, follows:

Year Ending December 31,	Principal	Interest	Totals
2023	\$ 80,000	\$ 11,034	\$ 91,034
2024	81,000	9,536	90,536
2025	83,000	8,022	91,022
2026	84,000	6,470	90,470
2027	86,000	4,900	90,900
2028-2029	176,000	4,937	180,937
	<u>\$ 590,000</u>	<u>\$ 44,899</u>	<u>\$ 634,899</u>

# CITY OF FREMONT HILLS, MISSOURI

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

### NOTE E – RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City maintains commercial insurance coverage for property damage and various Missouri Official's bonds. Management believes coverage is sufficient to preclude any significant uninsured losses to the City. For the past three years, the City has had no losses that exceeded commercial insurance coverage.

### NOTE F – GRANTS

Intergovernmental awards received by the City are subject to audit and adjustment by the grantor agencies. If grant revenues are received for expenditures, which are subsequently disallowed, the City may be required to repay the revenues to the funding agencies. No disallowed costs have resulted from this audit and management believes that further examination will not result in any disallowed costs.

### NOTE G – FUTURE ACCOUNTING PRONOUNCEMENTS

The accounting principles governing the reported amounts, presentation and related disclosures are subject to change from time to time based on new pronouncements and/or rules issued by various governing bodies. The Governmental Accounting Standards Board (GASB) is responsible for establishing generally accepted accounting principles (GAAP) for state and local governments.

The City adopted the following statements during the year ended December 31, 2022:

GASB Statement No. 87, *Leases*, issued June 2017, will be effective for the City beginning after June 15, 2022. This Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financing of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Section 457 Deferred Compensation Plans-and amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*, issued June 2022. Effective date is June 15, 2022, with earlier application permitted.

**CITY OF FREMONT HILLS, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

**NOTE G – FUTURE ACCOUNTING PRONOUNCEMENTS (Continued)**

GASB Statement No. 98, This Statement establishes the term *annual comprehensive financial report* and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. This Statement was developed in response to concerns raised by stakeholders that the common pronunciation of the acronym for comprehensive annual financial report sounds like a profoundly objectionable racial slur. This Statement's introduction of the new term is founded on a commitment to promoting inclusiveness. The effective date of this requirement is for fiscal years ending after December 15, 2022, but earlier application is encouraged.

The City did not have any changes to report for the year ending December 31, 2022, upon adopting GASB 87,97, and 98.



# CITY OF FREMONT HILLS, MISSOURI

## SCHEDULE OF REVENUES, EXPENDITURES

### AND CHANGES IN FUND BALANCES

#### - BUDGET AND ACTUAL - UNAUDITED

#### FOR THE YEAR ENDED DECEMBER 31, 2022

REVENUES	General Fund			
	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
Taxes:				
Property taxes	\$ 191,941	\$ 205,070	\$ 205,070	\$ -
Sales taxes	47,505	53,502	53,502	-
Local use tax	12,000	17,653	17,653	-
Intergovernmental:				
Missouri motor fuel taxes	33,000	40,503	40,503	-
Interest	2,500	8,710	8,710	-
Total Revenues	<u>286,946</u>	<u>325,438</u>	<u>325,438</u>	<u>-</u>
EXPENDITURES				
Current:				
General government	109,725	100,864	100,864	-
Law enforcement	15,000	19,598	19,598	-
Streets	44,500	76,672	76,672	-
Capital outlay	103,800	97,083	97,083	-
Total Expenditures	<u>273,025</u>	<u>294,217</u>	<u>294,217</u>	<u>-</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	<u>\$ 13,921</u>	<u>\$ 31,221</u>	31,221	<u>\$ -</u>
FUND BALANCES - BEGINNING			1,064,184	
FUND BALANCES - ENDING			<u>\$ 1,095,405</u>	